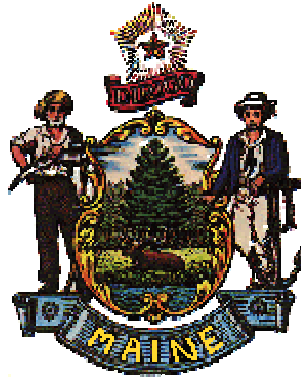


# **COMPLIANCE AUDIT REPORT**

## **STATE OF MAINE WORKERS' COMPENSATION BOARD**



**CRUM & FORSTER**  
**As of February 28, 2002**

**Monitoring, Audit & Enforcement (MAE) Division**

Paul Dionne  
Executive Director

Steven P. Minkowsky  
Deputy Director of Benefits Administration

# CONTENTS

Summary .....	2
Penalties .....	5
♦ Penalties Allowed By Law (Payable To The Workers' Compensation Board)	
39-A M.R.S.A. Sec. 359(2) .....	5
39-A M.R.S.A. Sec. 360(1)(A) .....	5
39-A M.R.S.A. Sec. 360(1)(B) .....	5
39-A M.R.S.A. Sec. 360(2) .....	5
Indemnity Benefits .....	6
A. Prompt Initial Payment Of Benefits .....	6
B. Prompt Subsequent Payment Of Benefits .....	6
C. Accuracy Of Average Weekly Wage .....	6
D. Accuracy Of Weekly Benefit Rate .....	6
Form Filing .....	7
A. First Report (WCB-1) .....	7
B. Wage Statement (WCB-2) .....	7
C. Schedule Of Dependent(S) And Filing Status Statement (WCB-2A) .....	7
D. Memorandum Of Payment (WCB-3) .....	7
E. Discontinuance Or Modification (WCB-4) .....	8
F. Statement Of Compensation Paid (WCB-11) .....	8

# SUMMARY

The Audit Division of the Maine Workers' Compensation Board (WCB) examined 24 claim files for the period under examination (2000) to determine compliance with statutory and regulatory requirements in the following areas:

- Form filing
- Timeliness of indemnity payments
- Accuracy of indemnity payments

Of the 24 claim files audited, there were 9 "lost time" claims, 15 "medical only" claims, 0 "incident only"<sup>1</sup> claims. Of the 9 "lost time" claims audited, 4 were compensable lost time.

The following entities had claims that were included in this audit:

- North River Insurance Company NCCI# 14508
- United States Fire insurance NCCI# 12777

Our audit revealed:

- All reportable claims identified had been reported to the Board at the date of the audit report. Crum and Forster have graciously complied with all the requests from this Division.
- Of the four (4) compensable lost time claims identified, an overpayment \$1907.70, in aggregate was discovered.
  - ✓ Two (2) compensable lost time claims were found to be Lump Sum Settlements.
  - ✓ One (1) compensable lost time claim was found to have had the average weekly wage (AWW) calculated incorrectly, resulting in an overpayment. The calculation of the number of pay periods was understated when figuring the AWW.
  - ✓ One (1) compensable lost time claim was found to have had the AWW calculated incorrectly, resulting in an overpayment. In the calculation of AWW the employee's bonus was used as a pay period.
- Of the five (5) non-compensable lost time claims identified, three claims' First reports (WCB-1) were filed late at the Workers Compensation Board.
- The first of the significant form filing compliance problems appears to be in the filing of the Wage Statement (WCB-2), Schedule of Dependent(s) and Filing Status Statement (WCB-2A), and Statement of Compensation Paid (WCB-11). The compliance rate for these forms filed timely is 0%. This division would recommend that Crum & Forster confront this issue and develop a more effective method of obtaining the information necessary from their employers to be able to file these forms more timely.

---

<sup>1</sup> "Incident only" claims incur no medical expenses and less than a day of lost time.

- The second of the significant form filing compliance problems appears to be in the filings of the First Report (WCB-1). The compliance rate for filed timely is 55.55 %. Again this division would recommend that Crum & Forster confront this issue and develop a more effective method of obtaining the information necessary from their employers to be able to file this form more timely.
- The Memorandum of Payment (WCB-3) compliance rate is at 100%, which exceed the Workers Compensation Boards' performance benchmark of 75%.
- The initial indemnity payment benefit compliance rate of 33.34% does not meet the Workers Compensation Boards' performance benchmark, which is at 80%.
- The highest compliance rate was found with the promptness of the subsequent payment of benefits, which was found to be 95.35%.
- The auditor was impressed with Crum & Forster's understanding of form completion and their timely payment of indemnity benefits.
- The Audit Division would like to thank Crum & Forster and its staff for the use of its facilities and providing the audit staff the necessary materials needed to complete the audit in a proficient manner.

## **PENALTIES (Continued)**

### **◆ Penalties Allowed by Law (Payable to the Workers' Compensation Board)**

39-A M.R.S.A. Sec. 359(2)

“In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3<sup>rd</sup>-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act.”

39-A M.R.S.A. Sec. 360(1)(A)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;”

39-A M.R.S.A. Sec. 360(1)(B)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act.”

➤ Ten (10) forms were filed late (\$1,000.00).

39-A M.R.S.A. Sec. 360(2)

“The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

# INDEMNITY BENEFITS

(As of 2/21/02)

## A. Prompt Initial Payment of Benefits

			2000	
			Number	Percent
Check Mailed Within:				
0-14	Days	<b>Compliant</b>	1	33.34%
15-28	Days		2	66.66%
Total Due			3	100.00%

## B. Prompt Subsequent Payment of Benefits

			2000	
			Number	Percent
Check Mailed Within:				
0-7	Days	<b>Compliant</b>	82	95.35%
8-14	Days		4	4.65%
15+	Days		0	0.00%
Total Due			86	100.00%

## C. Accuracy of Average Weekly Wage

			2000	
			Number	Percent
Calculated:				
Correct		<b>Compliant</b>	0	0%
Incorrect			2	100%
Total			2	100%

## C. Accuracy of Weekly Benefit Rate

			2000	
			Number	Percent
Calculated:				
Correct		<b>Compliant</b>	0	0%
Incorrect			2	100%
Total			2	100%

# FORM FILING

(As of 2/21/02)

## A. First Report (WCB-1)

		2000	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	5	55.55%
Filed Late		4	44.45%
Not Filed		0	0%
Total		9	100%

## B. Wage Statement (WCB-2)

		2000	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	0	0%
Filed Late		2	100%
Total		2	100%

## C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

		2000	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	0	0%
Filed Late		2	100%
Total		2	100%

## D. Memorandum of Payment (WCB-3)

		2000	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	2	100%
Filed Late			0%
Total		2	100%

## FORM FILING (Continued)

(As of 2/21/02)

### E. Discontinuance or Modification (WCB-4)

		2000	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	2	100%
Not Filed		0	0%
Total		2	100%

### F. Statement of Compensation Paid (WCB-11)

		2000	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	0	0%
Filed Late		2	100%
Total		2	100%



**STATE OF MAINE  
WORKERS' COMPENSATION BOARD**

**ABUSE INVESTIGATION UNIT  
AIU#**

**STATE OF MAINE  
WORKERS' COMPENSATION BOARD**

v.

**CRUM & FORSTER**

**CONSENT DECREE**

NOW COME the parties and agree as follows:

1. That the following forms were requested from Crum & Forster for purposes of an audit pursuant to 39-A M.R.S.A. §153(9):

Employee	Date of Injury	Forms Filed Late
Aaron Braden	January 7, 2000	WCB-1, Employer's First Report of Occupational Injury or Disease
Ray Brown	September 13, 2000	WCB-1, Employer's First Report of Occupational Injury or Disease
Thomas Carr	November 16, 2000	WCB-1, Employer's First Report of Occupational Injury or Disease WCB-2, Wage Statement WCB-2(A), Schedule of Dependent's and Filing Status Statement WCB-11, Statement of Compensation Paid
Thomas McFarlane	April 24, 2000	WCB-1, Employer's First Report of Occupational Injury or Disease
Bruce Van Wagner	April 27, 2000	WCB-2, Wage Statement WCB-2(A), Schedule of Dependents and Filing Status Statement WCB-11, Statement of Compensation Paid

2. That the forms listed above were not filed.
3. That the failure to file the foregoing forms represents ten (10) separate violations of 39-A M.R.S.A. §357(1) and §360(1)(B).
4. That nothing in this agreement shall be construed as a waiver of the Workers' Compensation Board's right to seek additional penalties pursuant to 39-A M.R.S.A. §359(2) or 39-A M.R.S.A. §360(2) or both sections.

2

WHEREFORE, pursuant to 39-A M.R.S.A. §360(1)(B), a civil forfeiture of \$100.00 shall be assessed for each of the foregoing ten violations, for a total penalty of \$1,000.00.

Dated: 7/2/02

Dana Walsh  
Dana Walsh, Manager  
Crum & Forster

Dated: July 9, 2002

Steven P. Minkowsky  
Steven P. Minkowsky  
Deputy Director of Benefits Administration  
Workers' Compensation Board

Dated: 7/9/02

Timothy W. Collier  
Timothy W. Collier  
Supervisor of the Abuse Investigation Unit  
Workers' Compensation Board